

**NATIONAL RECOVERY ADMINISTRATION**

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**AMENDMENT TO  
CODE OF FAIR COMPETITION  
FOR THE  
HOSIERY INDUSTRY**

**AS APPROVED ON APRIL 6, 1935**



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AMENDMENT TO CODE OF FAIR COMPETITION

FOR THE

HOSIERY INDUSTRY

As Approved on April 6, 1935

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ORDER

APPROVING AMENDMENT OF CODE OF FAIR COMPETITION FOR THE  
HOSIERY INDUSTRY

An application having been duly made pursuant to and in full compliance with the provisions of Title I of the National Industrial Recovery Act, approved June 16, 1933, for approval of an amendment to the Code of Fair Competition for the Hosiery Industry, and hearings having been duly held thereon, and the annexed report on said amendment containing findings with respect thereto, having been made and directed to the President:

NOW, THEREFORE, on behalf of the President of the United States, the National Industrial Recovery Board, pursuant to authority vested in it by Executive Orders of the President, including Executive Order No. 6859, dated September 27, 1934, and otherwise; does hereby incorporate, by reference, said annexed report and does find that said amendment and the Code as constituted after being amended comply in all respects with the pertinent provisions and will promote the policy and purposes of said Title of said Act, and does hereby order that said amendment be and it is hereby approved, and that the previous approval of said Code is hereby amended to include an approval of said Code in its entirety as amended.

NATIONAL INDUSTRIAL RECOVERY BOARD,  
By W. A. HARRIMAN, *Administrative Officer.*

Approval recommended:

M. D. VINCENT,  
*Acting Division Administrator.*

WASHINGTON, D. C.,  
*April 6, 1935.*

## REPORT TO THE PRESIDENT

The PRESIDENT,  
*The White House.*

SIR: An application has been duly made pursuant to and in full compliance with the provisions of Title I of the National Industrial Recovery Act for certain amendment to the Code of Fair Competition for the Hosiery Industry, and Hearings have been duly conducted thereon.

Article 8, Section 1 of the amendment prescribes uniform conditions of sale; Section 2 prohibits price guarantees; Section 3 prohibits bonuses, rebates, honor, and credits, etc. This Section also deals in customers' subsidies, return of merchandise, special services, cooperative advertising, etc. Section 4 prohibits the sale of merchandise below the low cost and deals also in the billing of samples, the marking of close-outs, and with cost finding; Section 5 prohibits shipments on consignment; Section 6 prohibits commercial bribery; Section 7 prohibits the return of merchandise for refinishing unless the Manufacturer is compensated for the actual cost thereof; Section 8 deals with the classification of hosiery; Section 9 prohibits substitutions without the knowledge or consent of the purchaser; Section 10 prohibits the misbranding and misrepresentation of materials; Section 11 prohibits the imitation of competitors' marks; Section 12 deals with the observance of the Code; Section 13 deals with arbitration.

The Deputy Administrator in his final report on said amendment to said Code having found as herein set forth and on the basis of all the proceedings in this matter:

The National Industrial Recovery Board finds that:

(a) The amendment to said Code and the Code as amended are well designed to promote the policies and purposes of Title I of the National Industrial Recovery Act, including the removal of obstructions to the free flow of interstate and foreign commerce which tend to diminish the amount thereof, and will provide for the general welfare by promoting the organization of industry for the purpose of cooperative action of labor and management under adequate governmental sanction and supervision, by eliminating unfair competitive practices, by promoting the fullest possible utilization of the present productive capacity of industry, by avoiding undue restriction of production (except as may be temporarily required), by increasing the consumption of industrial and agricultural products through increasing purchasing power, by reducing and relieving unemployment, by improving standards of labor, and by otherwise rehabilitating industry.

(b) The Code as amended complies in all respects with the pertinent provision of said Title of said Act, including without limitation subsection (a) of section 3, subsection (a) of section 7, and subsection (b) of section 10 thereof.

(c) The Code empowers the Code Authority to present the aforesaid amendment on behalf of the industry as a whole.

(d) The amendment and the Code as amended are not designed to and will not permit monopolies or monopolistic practices.

(e) The amendment and the Code as amended are not designed to and will not eliminate or oppress small enterprises and will not operate to discriminate against them.

(f) Those engaged in other steps of the economic process have not been deprived of the right to be heard prior to approval of said amendment.

For these reasons this amendment has been approved.

For the National Industrial Recovery Board:

W. A. HARRIMAN,  
*Administrative Officer.*

APRIL 6, 1935.

## AMENDMENT TO CODE OF FAIR COMPETITION FOR THE HOSIERY INDUSTRY

Amend Article VIII by deleting Sections 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 and Section 4 (b), (c) and (d) of the present Article, and substituting therefor the following:

1. *Uniform Conditions of Sale.*—The following conditions of sale shall be binding on all members of the Hosiery Industry:

(a) All orders are subject to acceptance by the mill.

(b) All orders are accepted subject to delays, partial delivery and non-delivery caused by labor difficulties, or conditions beyond control of the seller. In such cases, the seller shall promptly notify the buyer, and the buyer shall have the right to cancel any undelivered or unfinished portion of the order. Failure of the buyer to either cancel or confirm within ten (10) days after receipt of notice shall be construed as cancellation.

(c) (1) Anticipation of payment, if allowed, shall not be at a rate in excess of six per cent (6%) per annum.

(2) Any invoices not paid on due date shall be subject to interest at the rate of six per cent (6%) per annum.

(3) Dating in excess of seller's established terms shall be subject to interest at the rate of six per cent (6%) per annum.

(4) A discount becomes "unearned discount" and is forfeited upon failure of payment of invoices on the due date, according to terms.

(d) Cancellation may be effected only:

(1) By the buyer, because of failure of the seller to make deliveries on the specified delivery dates, provided the buyer has furnished details in keeping with contract commitments, and provided the buyer has given the seller at least ten (10) days written notice, (either before or after due date) of his intention to cancel past due deliveries. Until or unless a past due delivery is cancelled in the manner provided herein, the commitment of the buyer therefor remains in force.

(2) By the seller, because of impairment of customer's credit.

(3) In accordance with sub-section (b) of this section.

(e) Any controversy or claim arising out of or relating to this contract or the breach thereof, shall be settled by arbitration, in accordance with the rules, then obtaining, of the American Arbitration Association, and judgment upon the award rendered may be entered in the highest court of the forum, state or federal, having jurisdiction; provided this provision for arbitration shall not have been deleted by the purchaser upon, or prior to, the execution of this contract.

2. *Price Guarantees.*—To guarantee prices against decline, whether by lowering the price of an existing contract, cancellation of an existing order and the substitution therefor of a new order at lower prices, or by any other means, is an unfair trade practice.

**3. Bonuses, Rebates, Discounts, Etc.**—(a) It is an unfair trade practice to allow a customer commissions, bonuses, rebates, refunds, unearned credits and unearned discounts.

(b) It is an unfair trade practice to allow a customer subsidies of any kind, whether in the form of money, merchandise, payment of any part of the wages of a customer's employees, or advertising, or premiums, or otherwise, that are not specifically permitted in other paragraphs of this Section.

(c) All sales of merchandise shall be final and no member of the Industry shall accept the return of any merchandise except for mill imperfections or for failure to make legal delivery of the goods in accordance with the terms of the order.

(d) It is an unfair trade practice to extend to a customer special services which are not extended to all customers under like terms and conditions. This provision is not intended to conflict with the provisions of subsection "e" of this section, nor with any specific prohibitions in this Code.

(e) Hosiery manufacturers selling merchandise having their own brands, may enter into agreement for cooperative advertising of such brands upon the following conditions:

(1) Agreements for cooperative advertising shall be separate from agreements of sale of merchandise, and shall define the amount to be contributed by the manufacturer, which shall not exceed fifty per cent (50%) of the amount actually spent. The nature and amount of advertising and the period to be covered shall be specifically set forth in the agreement. Cooperative advertising agreements shall be restricted to newspaper or radio advertising and printed matter, and the name of the manufacturer or of his brand must appear along with the name of the customer.

No cooperative advertising agreement shall be used as a rebate, refund, or merchandise allowance, but shall be for advertising only. The manufacturer shall pay his share of such advertising only upon receipt of proper evidence of the amount actually so spent, and his share shall in no case exceed fifty per cent (50%) of the total expended.

(2) Full records of all cooperative advertising agreements shall be kept by hosiery manufacturers, so as to permit auditing at any time of such expenditures and their use. Accurate reports, based on such records, shall be furnished when required by the Code Authority.

(3) The above restrictions on cooperative advertising are not meant to exclude the furnishing of display materials, signs, or cards, etc., of branded lines, provided the customer is in no way compensated or subsidized thereby.

(f) Hosiery manufacturers selling merchandise bearing their own brands may offer on such branded hosiery exchange merchandise services, provided such services are part of their regular and established merchandising methods and are available to all of their customers.

(g) Returns made under "exchange merchandise services" mentioned in subsection (f) shall not be credited to customer's account until effect by an additional order for immediate delivery for merchandise of at least an equal value. The per dozen value of the

returned goods, as well as the replacement order, shall be at the price prevailing the day the replacement order is invoiced.

4. *Selling Below Cost, etc.*—(b) The billing of customer's sample requirements at less than regular stock prices is an unfair trade practice.

(c) (1) All closeouts of discontinued styles, and/or broken assortments, if sold below cost, shall be visibly marked on each hose with an indelible transfer reading:

DISCONTINUED  
or DISCONTINUED PATTERN  
or DISCONTINUED STYLE  
or DISCONTINUED FIRST QUALITY

Such transfers shall be in full face type letters of not less than  $\frac{1}{8}$ " in height, except for infants' hose, where smaller size type must be used. These transfers must be ordered through the Hosiery Code Authority.

(2) If any hosiery cannot be marked with transfers or in other indelible manner, it shall be marked in such manner as the Hosiery Code Authority shall prescribe after consultation with the Advisory Committee of the branch of the Industry affected.

(d) Each manufacturer shall determine costs in accordance with the principles of Cost Accounting adopted by the Code Authority and approved by the National Industrial Recovery Board.

5. *Shipments on Consignment.*—To ship hosiery on consignment, on memorandum, or any basis other than outright sale, is an unfair trade practice.

6. *Commercial Bribery.*—No member of the Industry shall give, permit to be given, or offer to give anything of value for the purpose of influencing or rewarding the action of any employee, agent, or representative of another in relation to the business of the employer of such employee, the principal of such agent or the represented party, without the knowledge of such employer, principal or party. This provision shall not be construed to prohibit free and general distribution of articles commonly used for advertising except so far as such articles are actually used for commercial bribery as hereinabove defined.

7. *Return of Merchandise for Refinishing.*—To repair, re-condition, refinish, or re-dye merchandise belonging to a customer without charging actual cost therefor, is an unfair trade practice.

8. *Classification of Hosiery.*—(a) Hosiery shall be classified as follows:

(1) Firsts: There shall be only one classification of firsts for any given style.

(2) Other than firsts (Imperfects): Under this heading there may be the following sub-classifications only:

Irregulars  
Seconds  
Thirds

A mill choosing not to have four classifications may eliminate classifications of either "Irregulars" or "Seconds."

(b) The sale of a lot of hosiery, containing more than one of the above given classifications, as "Mill Runs", is an unfair trade practice.



(c) All hosiery which is not first quality shall be stamped or transferred either "Irregulars", "Seconds", or "Thirds" on the toe, sole, or outside the welt of each hose according to classification.

All such marking must be visible and indelible, in full face type letters of not less than  $\frac{5}{32}$ " in height, except that in the case of infants' hose the letters may be  $\frac{1}{8}$ " in height.

(d) The end label of all boxes, containing goods other than first quality, shall be marked in accordance with the stamping of the goods therein, in full face type letters of not less than " in height.

9. *Substitution*.—To ship or deliver hosiery which does not conform in quality and value to the samples submitted or representations made prior to securing the order, without the knowledge or consent of the purchaser to such substitution, is an unfair trade practice.

10. *Misbranding and Misrepresentation of Materials*.—(a) To sell hosiery marked, or branded, falsely with the effect of misleading, or deceiving, purchasers, or buyers, with respect to price, quantity, quality, gauge, grade, substance or value of the merchandise, is an unfair trade practice.

(b) If any definite section or sections of the hose be made of a material entirely different from that of the bulk or body of the stocking, when such material gives the appearance of silk, the hose must be stamped with the names of both materials.

(c) No material content shall be stamped on any hose unless it represents at least 5 percent (5%) of the hose by weight. When two or more contents exist, if any content is stamped on the hose all contents constituting five percent (5%) or more of the weight of the hose shall be stamped and in the order of the major content. In hosiery having an all-silk, or all-rayon, or a mixture of rayon and silk body or boot, with cotton top and/or cotton toe, heel, sole and highsplicing, the "weight" referred to in this paragraph shall exclude the weights of the cotton portions mentioned. Such hosiery may be marked respectively "silk", "rayon" or "rayon and silk" without reference to the cotton content.

(d) If hosiery is marked with any material content in terms of percentage, the percentage of each material content must be shown.

11. *Imitation of Competitor's Marks*.—The imitation of trade marks, trade names, slogans or other marks of identification of competitors, having the tendency to mislead or deceive any buyer is an unfair trade practice.

12. *Observance of Code*.—The failure to observe any rule in this Article of the Code, even if it does not contain the words "unfair trade practice", is a violation of the Code.

Approved Code No. 16—Amendment No. 6.  
Registry No. 241-02.













